



# Compensation

## Issue

*Recent pay table reforms may not provide a sufficient “pay incentive” spike for E5s and E7s that recognizes the increased level of responsibility and authority attendant with promotion to those grades and exacerbated by downsizing. Further, today’s NCOs have at least some college, work longer hours, and deploy more often.*

## Background

On January 1, 2000, the largest pay raise for all military members since 1981 was implemented. The FY 2001 raise is 3.7 percent, one-half percentage point higher than the Employment Cost Index. In addition to the across-the-board pay raise, targeted pay increases will be implemented with a pay table reform. The maximum targeted pay increases range up to 5.5 percent and will come on top of the 4.8 percent increase that all military personnel received on January 1, 2000. This is a one-time restructuring of the pay that will relieve compression between grades and shift the emphasis back to rewarding promotion rather than longevity.

## Current Status

Pay table reform clearly did not resolve all issues within the compensation arena, but it was a step in the right direction. The primary purpose of pay table reform was to reward faster promotion, and was not intended to be a reflection of the amount of college completed, hours worked, or responsibility, though certainly, those elements may contribute to faster promotion.

*“We looked at pay table reform . . . and felt that (it) needs to be looked at.”*

*—Army Command Sergeant Major Jesse Laye*

## Current Initiatives

This issue is being reviewed in detail by the Ninth Quadrennial Review of Military Compensation (QRMC), whose final report is due in December 2000. Specifically, the QRMC is examining how mid-grade and senior enlisted pay relates to pay of civilians with comparable levels of education. The QRMC is also examining if the increase in education, as well as levels of experience, responsibility and leadership of senior enlisted members warrants an increase in senior enlisted pay levels.

In addition, the amounts of enlistment and reenlistment bonuses for our enlisted members, and aviator and nuclear bonus for our officers have been increased. And, we have





implemented three new pays, Career Enlisted Flying Incentive Pay, Surface Warfare Officers Continuation Pay, and Special Warfare Officers Continuation Pay.

The Secretary has announced a housing allowance initiative with the objective of reducing the average out-of-pocket housing expense to zero by 2005.

Members of the Uniformed Services may be able to participate in the Federal Thrift Savings Plan (TSP) beginning late in 2001.

## Issue

*Local installation commanders may not be sufficiently aware that they need to get involved in providing information and data on off-base areas in which they want their people to live for DoD surveys to determine Basic Allowances for Housing (BAH) rates.*

## Background

Generally, the Service housing management/referral offices at each fort, base, station, and post are well aware of our request for housing information (suitable neighborhoods, lists of contacts, suitable apartment complexes, etc.). We have already received some excellent responses from the field. We agree, however, that installation commanders need to be more aware of the vital role played by local military housing/housing referral offices.

## Current Status

The degree of awareness varies from location to location. We have done, and are doing, as much as we (DoD and the Services) can to get the message out to commanders.

*DoD and the Services are engaged in an aggressive schedule of on-site visits, briefing commanders and senior enlisted personnel on the methodology of BAH and the need for command involvement in the BAH data collection.*

## Current Initiatives

The Deputy Assistant Secretary of Defense for Military Personnel Policy has urged each of the Service Assistant Secretaries (M&RA) to “involve local commanders” and to help us ensure the “quality and accuracy of the data we use to compute BAH rates.” The Services have followed up with letters and phone calls of their own.

## Issue

*The “overuse” of bonuses may be creating a system of “haves” and “have nots” within the enlisted force.*

## Background

Bonuses are a necessary force-shaping tool, used primarily to recruit and/or retain particular critical specialties. Critical specialties are those that are in high demand both within, and outside of the military.



## Current Status

In today's military, many of our "high tech" specialties are critical. These members are being offered much higher wages and benefits outside the military and are being lured away, at a high cost to the military as years of irreplaceable experience and training are lost. Bonuses have proven to be one relatively effective way to retain these people.

*While aggregate retention continues to show improvement, there are continuing concerns in a number of enlisted technical specialties.*

## Current Initiatives

The QRMC is reviewing the purpose, structure and flexibility of the bonus program, and special and incentive pays in general, to improve their flexibility and effectiveness. The QRMC is also examining the balance between the level of basic pay and the amounts of special and incentive pays. It may be that the targeted bonus system is over-burdened because the basic pay table needs adjustment.

## Issue

*There are parity of pay issues for Reserve component members, including the criteria for Reserve retired pay, Reserve Component (RC) special and incentive pays, and housing allowances.*

## Background

An effective compensation system requires policies that apply equitably to Active and Reserve components. Over the past two decades, many improvements have been made to Reserve compensation. Also, Secretary Cohen issued a Total Force Policy directing the elimination of barriers to effective integration and to a seamless Total Force.

## Current Status

The downsizing of our armed forces, smaller Defense budgets, and a relatively steady number of operations, have resulted in the National Guard and Reserve being called on more often to support mission requirements and help ease the operational burdens of a smaller active duty military force. In this environment, it is important to ensure that the compensation system maintains a sense of fairness and relative pay comparability between full-time and part-time members.

## Current Initiatives

The Ninth Quadrennial Review of Military Compensation (QRMC) has agreed to review several major areas of compensation to determine relative parity.

**Retired Pay.** Changing the law to an age-60 benefit system for Reserve retired pay would result in a significant increase in outlays from the DoD retirement fund. However, in view of the substantial reliance upon the National Guard and Reserve to support operational missions today, the Department has tasked the QRMC with reviewing the issue of whether the Reserve retirement system should be amended to allow for receipt of Reserve retired pay prior to reaching age 60. The QRMC will examine a number of alternatives to the current system and consider recommendations for change.



**Special and Incentive Pays.** Selected Reserve members possessing the required duty skills and qualifications are authorized such pays while performing part-time duties at a rate of 1/30 of the compensation authorized for active duty members for each day of duty. This situation sometimes results in RC members receiving significantly less special or incentive pay in a month than Active component members, even though the Reservists may have the same training, maintain the same qualifications and

***Members of Reserve Components who accumulate 20 years of creditable service with the last eight years of qualifying service in a Reserve Component and who reach age 60, are entitled to retired pay based on the number of retirement points accumulated.***

proficiency and perform equal duties (e.g., flying hours). In the current environment of seamless integration and in view of the integral role the Reserve components are playing in meeting defense missions, the Department is reviewing the appropriateness and consistency of the rules that govern certain special and incentive pays for RC members.

**Basic Allowance for Housing (BAH).** Active component members receive a housing allowance, or BAH, that is structured for the local housing market

for every day they are on active duty. Reserve component members receive a flat rate housing allowance, or BAH-II, that is the equivalent to the former Basic Allowance for Quarters, for any active duty period of less than 140 days. Since Desert Storm, more RC members are serving longer periods on active duty, which means relying for greater periods of time on military pay and allowances, vice their civilian compensation, to pay for their civilian residence and related expenses. Thus, RC members living in high-cost areas may incur an immediate shortfall when ordered to active duty, based on the difference between civilian income and military income. The QRMC is reviewing this issue in light of the fact that the Reserve component members continue to incur housing costs, just like Active component members, regardless of the length of their active duty.

**Additional information:**  
<http://pay2000.dtic.mil>

